



Councils working together

Dorset Waste Partnership Joint Committee

Date of Meeting	5 November 2018
Officer	Director of the Dorset Waste Partnership
Subject of Report	Finance and Performance Report November 2018
Executive Summary	<p>This report presents and discusses the following -</p> <p><u>The 2018/19 revenue forecast</u> which shows <u>a projected adverse variance of £180k</u> against the budget of £33.5m, based on the first half of the financial year. This is an improvement when compared to the previous Joint Committee report, which forecast an adverse variance at £723k. The Joint Committee are asked to note, however, that the major items of variance, which are recycle price and vehicle fuel price, are still subject to significant fluctuations, and therefore the forecast for the remainder of the year may still change.</p> <p>The body of the report discusses the factors that are causing forecasts of variance for 2018/19.</p> <p>The projected overspend of £180k is expected to be fully funded by the Budget Equalisation Reserve (which currently stands at just over £1.2m) and therefore the effect on partner councils' finances will be nil.</p> <p>The <u>latest expectations of capital spend</u> are presented. There are no new significant issues to report in this area.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>This report contains no new proposals and has no equalities implications.</p>

	<p>Use of Evidence:</p> <p>The report is based on data from the County Council's financial system and the management information systems used by the Dorset Waste Partnership. This is supplemented by information from service managers where necessary.</p>
	<p>Budget:</p> <p>The budget requirement for 2018/19 was originally calculated at £33.8m. Informal budget workshops during autumn 2017 made it clear that partner funding would be limited to a standstill budget of £33.1m, and budget reductions/changes in assumptions were agreed at the January 2018 Joint Committee to keep to the standstill figure of £33.1m. Late in the process, the effect of the latest change in minimum wage became clear, and it was agreed that the anticipated additional cost of £383k would be funded from the BER. Therefore, the net revenue budget for 2018/19 is £33.5m, however only £33.1m is funded from partner councils.</p> <p>The capital budget for 2018/19 as approved by Joint Committee was £5.114M. Additional funding was allocated to the scheme for construction of a waste management centre in central Dorset by Joint Committee at its meeting in June 2018, however, this sum is not yet reflected in the attached report due to the sensitive commercial nature of this additional potential sum, for which negotiations are currently ongoing.</p>
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this information using the County Council's approved risk management methodology, the level of risk around the 2018/19 budget has been identified as:</p> <p>Current Risk: HIGH Residual Risk: MEDIUM</p> <p>This assessment relates to the potential volatility of the revenue budget for 2018/19 where some factors (e.g. recycle costs and vehicle fuel) could move further in an adverse direction.</p>
	<p>Outcomes: The Joint Committee monitors the Partnership's performance against budget and scrutinises actions taken to manage services within budget on behalf of partner councils.</p>
	<p>Other Implications: None</p>

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<p>Recommendations</p>	<p>1) To note the forecast of the revenue budget position for 2018/19, and how the adverse variance is expected to be funded from the Budget Equalisation Reserve (BER), with no effect on partner council finances.</p> <p>2) To note capital spend and commitments to date.</p>
<p>Reason for Recommendations:</p>	<p>The Joint Committee monitors the Partnership's performance against budget and scrutinises actions taken to manage within budget on behalf of partner Councils.</p>
<p>Appendices</p>	<p>Appendix 1 – 2018/19 financial performance infographic. Appendix 2 – 2018/19 DWP capital spend. Appendix 3 – Share of overspend by partner and effect on BER. Appendix 4 – Treasurer assurance statement Appendix 5 - Budget risks</p>
<p>Background Papers</p>	<p>None</p>
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1. Background

- 1.1 The Joint Committee of 15 January 2018 agreed a revenue budget of £33.5m for 2018/19, of which £33.1m was funded by partners and £0.4m was funded from the Budget Equalisation Reserve, specifically in relation to the late pay award announcement.

2. Budget forecast for 2018/19

- 2.1 The 2018/19 revenue budget is currently forecast to produce a adverse variance of £180k, on an original budget of £33.5m. The major variances are discussed below.

Collection costs

- 2.2 Operational resources are currently projected to be underspent by around £121k (of a total budget in the region of £9m), based on spend as at the end of the first half of the financial year. The previous financial report predicted an overspend of £50k in this area. Since that time, focus on overspend has seen costs reduce as a result. Beach cleaning costs are not incurred in the second half of the year, which tends to mean less volatility in the costs for the remainder of the year. Forecasts will still vary, however, due to sickness levels and vacancy management.
- 2.3 The vehicle fuel budget line is predicted to overspend by around £166k based on current prices, an increase from the £150k previous forecast. Fuel prices continue to slowly increase this year.
- 2.4 Transport costs in relation to vehicle parts are also predicted to overspend, by around £117k, an increase from the £75k forecast in the previous report. This is based on high levels of (demand led) expenditure in the year to date, as a result of the ageing fleet particularly in East Dorset, Christchurch and North Dorset. Again, expenditure will continue to be monitored and forecasts updated accordingly.
- 2.5 Based on the current spend profile, the revenue budget for purchase of sacks and bags is forecast to underspend by £40k.

Disposal Costs

- 2.6 The Joint Committee will be aware from previous financial reports that DWP has seen significant savings in disposal costs and associated haulage costs. This is a combination of both deliberate policy decisions by the DWP to divert further waste away from landfill and into cheaper disposal routes, plus general volumes of tonnages arising being less than budgeted. The total effect is a favourable variance of around £796k (£474k tonnages, £322k haulage).
- 2.7 Recyclate material - The Joint Committee are reminded that recyclate price has seen significant changes in recent times, linked to the international market and, in particular, the effects of changes in China. Joint Committee are reminded that a budget of £0 per tonne was set for recyclate price for 2018/19, and that the actual price, whilst varying each month, has been considerably higher than the budgeted price for all of 2018/19 to date. The overall effect is a predicted £731k adverse variance, based on average price for the year to date. This

forecast comes with the caveat that the monthly price may yet change significantly.

- 2.8 Joint Committee members may recall that a specific carry forward was agreed at the end of 2017/18 in respect of technical consultancy fees to support the re-procurement exercises in respect of residual waste and organic waste. Consultants are now being engaged in an effort to achieve best value for money via the re-procurement exercises. It is currently anticipated that around £40k of the funds will remain uncommitted at year end.

Trading Accounts / Commercial Services

- 2.9 As reported previously, the Commercial Waste trading account shows good underlying performance, with the income target expected to be exceeded for this year. However, cost allocations have been updated to reflect current arrangements (in terms of disposal costs, haulage costs, and recycle costs) and as a result this trading account is currently expected to be around £200k adverse from the budgeted position.
- 2.10 The Container Charging service is currently forecast to exceed the income target to a small degree (£9k) based on the year to date. This comes with the caveat that container demand does not tend to follow any particular profile, so this could change.

Central budgets

- 2.11 The capital charges revenue budget represents repayment of borrowings for capital purchases. Variances arise on the capital charges budget line when assumptions around the cost and timing of capital purchases vary from the actual cost and timing of capital purchases. This budget is forecast to produce an adverse variance of £121k in respect of capital financing costs, an improvement on the £144k previous forecast. Details of capital expenditure in the year are included in Section 3 of this report and Appendix 2.
- 2.12 Temporary additional enforcement resource is forecast an at adverse £47k. This temporary resource has always been unfunded, but were employed to deal with the increased demand for enforcement related action.
- 2.13 A budget line for "savings to be identified" was set in the original budget at £39k. This has now been funded from savings in the overall salaries budget.
- 2.14 A thorough review of the rents and rates budgets have resulted in a forecast underspend of £180k. These findings have been factored into the draft 2019/20 budget proposals.

Summary

2.15 The table below summarises the predicted variances described above:

Item	<u>Previous forecast of budget variance as per September 2018 Joint Committee</u>	<u>Current forecast of variance</u>
Collection costs		
Operations and street cleansing	-£50k	£161k
Transport budgets	-£225k	-£283k
Disposal Costs		
HRC management fees – inflation in excess of budget.	-£17k	-£17k
Waste disposal variances including haulage	£783k	£796k
Glass recycling	£23k	£28k
Dry mixed recycle	-£798k	-£731k
Other recycle	-£7k	-£4k
Technical consultancy	-	£40k
Central budgets		
Additional enforcement resource	-£49k	-£47k
Capital charges	-£144k	-£121k
Other Management and Admin	-	£9k
Savings to be identified	£-39k	-
Property budgets		
Rents and rates variances	-	£180k
Commercial Services		
Container charging	-	£9k
Commercial Waste	-£200k	-£200k
Total budget variance	-£723k	-£180k

3. Capital expenditure for 2018/19

- 3.1 Appendix 2 shows capital expenditure and commitments incurred at the time of writing, totalling just over £2.5m against an approved capital budget of £5.114m as agreed at Joint Committee November 2017.
- 3.2 Joint Committee also agreed, at the June 2018 meeting, to potential additional funding for the purposes of land purchase for the proposed Waste Management Centre in central Dorset. This potential additional funding is not yet included in Appendix 2, due to the sensitive nature of negotiations that are currently taking place.
- 3.3 Other projects of note are:
- 3.4 The procurement of 'in-cab' technology is progressing well, with the system expected to be live in the garden waste vehicles and the trade waste vehicles before the end of the year. Subject to a satisfactory trial, the system will then be rolled out to the domestic vehicle fleet in 2019. The committed sum of £143k was originally expected to be paid in 2017/18 but is now expected to fall in 2018/19 instead.
- 3.5 Orders have been placed for 28 vehicles for the 2018/19 vehicle procurement exercise (15 RCVs, 9 response vehicles, 3 supervisor vans and 1 bin collection vehicle). The total cost of the vehicle procurements was around £34k higher than anticipated. It was noted that vehicle market prices have increased across the board, and that this will need to be taken into account for future vehicle procurement exercises.

4. The Budget Equalisation Reserve (BER)

- 4.1 Following the closedown of 2017/18, the Budget Equalisation Reserve (BER) currently stands just over £1.2m. Appendix 3 shows the breakdown of the reserve by partner council and illustrates the effect on the reserve of funding the forecast of overspend of £180k.

Karyn Punchard
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October 2018